THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Shui On Construction and Materials Limited, you should at once hand this circular to the purchaser or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

瑞 安 建 業 有 限 公 司 *

SHUI ON CONSTRUCTION AND MATERIALS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 983)

DISCLOSEABLE TRANSACTION

26 January 2005

* *For identification purpose only*

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In this circular, the following expressions have the following meanings unless the context requires otherwise:

Expressions	*Meanings*
"Agreement"	the sale and purchase agreement between the Vendor and the Purchaser in relation to the Sale
"associates"	has the meaning as ascribed to the term under the Listing Rules
"Board"	the board of Directors
"Chik Wan Quarry"	the quarry at Chik Wan Island, Zhuhai in the PRC which does not form part of the Sale
"Company"	Shui On Construction and Materials Limited, a company incorporated in Bermuda and listed on the main board of the Stock Exchange
"Completion"	completion of the Sale under the Agreement
"Director(s)"	the director(s) of the Company
"Group"	the Company and its subsidiaries
"Guishan Site Formation"	the site formation work being carried out at Guishan Island, Zhuhai, PRC where aggregates are excavated
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Latest Practicable Date"	24 January 2005, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange

"PRC" or "Chinese Mainland" or "Mainland"	the People's Republic of China, and for the purpose of this circular, excluding Hong Kong and the Macau Special Administrative Region
"Purchaser"	Maxking Investments Limited, an independent third party not connected with the directors, chief executive or substantial shareholders of the Company or any of their respective subsidiaries or their respective associates
"Sale"	the sale of the Subject Companies under the Agreement
"SOR"	Shui On Rock Products Limited, a wholly-owned subsidiary of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subject Companies"	Ken On Concrete Co. Ltd., Instant Mortars Ltd., Shui On Cement Co. Ltd. and Honest China Limited
"Subject Group"	the Subject Companies and their respective subsidiaries
"Vendor"	Shui On Building Materials Limited

瑞安建業有限公司*

SHUI ON CONSTRUCTION AND MATERIALS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 983)

Executive Directors:
Lo Hong Sui, Vincent *(Chairman)*
Wong Ying Wai, Wilfred *(Vice-chairman)*
Choi Yuk Keung, Lawrence *(Vice-chairman)*
Wong Yuet Leung, Frankie *(Chief Executive Officer)*
Wong Fook Lam, Raymond
Lowe Hoh Wai Wan, Vivien

Non-executive Directors:
Wong Hak Wood, Louis
Enright, Michael John

Independent non-executive Directors:
Griffiths, Anthony
Cheung Kin Tung, Marvin
Cheng Mo Chi, Moses

Registered Office:
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Head Office:
34th Floor, Shui On Centre
6-8 Harbour Road
Hong Kong

26 January 2005

To the Shareholders

Dear Sir or Madam,

DISCLOSEABLE TRANSACTION

INTRODUCTION

By an announcement dated 5 January 2005, the Directors announced that on 31 December 2004, Shui On Building Materials Limited, a wholly owned subsidiary of the Company, entered into the Agreement as the Vendor with Maxking Investments Limited as the Purchaser, whereby the Vendor agreed to sell to the Purchaser, the entire issued share capital of the Subject Companies for a consideration of HK$95 million, pursuant to the Agreement.

* *For identification purpose only*

The main purposes of this circular are to provide the Shareholders with further information of the Agreement and other information in compliance with the requirements of the Listing Rules.

THE AGREEMENT

Date of the Agreement

31 December 2004

Parties to the Agreement

(1) Shui On Building Materials Limited, a wholly owned subsidiary of the Company, as the Vendor; and

(2) Maxking Investments Limited, which is engaged in investment and the business of construction materials and contracting, as the Purchaser. The Company confirms that, to the best of the Directors' knowledge, information and belief, the Purchaser and the ultimate beneficial owners of the Purchaser are third parties independent of the Company and connected persons of the Company.

Assets Involved

The Vendor will sell to the Purchaser the entire issued share capital of each of the Subject Companies for a consideration of HK$95 million.

The Subject Companies are engaged in the production and distribution of ready mixed concrete and instant mortars and the distribution and sale of cement in Hong Kong.

The net asset value (or net deficit, as the case may be) of each of the Subject Companies as at 31 March 2004 and the net profits (or losses as the case may be) of each of the Subject Companies for the two financial years ended 31 March 2004 are set out below:–

Subject Companies	**Net asset value (net deficit) as at 31 March 2004** *HK$'million*	**Net profit (loss) for the year ended 31 March 2003** *HK$'million*	**Net (loss) for the year ended 31 March 2004** *HK$'million*
Ken On Concrete Co. Ltd.	(45.85)	(24.8)	(52.8)
Instant Mortars Ltd.	9.34	0.34	(0.78)
Shui On Cement Co. Ltd.	(0.05)	(0.01)	(0.02)
Honest China Ltd. *(Note)*	11.2	11.81	(0.41)

Note: As Honest China Ltd. was incorporated in November 2004, its financial information presented above refer to those attributable to the assets and liabilities agreed to be assumed by Honest China Ltd. prior to Completion pursuant to the Agreement.

Other terms and completion arrangement

The Vendor will retain the benefit of all receivables of, and bear all liabilities of, the Subject Group as accrued in respect of matters prior to Completion. The Vendor will also retain certain working machinery and equipment of the Subject Companies, with a net book value of approximately HK$2.27 million as at 31 March 2004, as agreed by the Vendor and the Purchaser as set out in the Agreement.

The Vendor and the Purchaser agreed to have post completion adjustments in respect of prepayments, payables, receivables, cash and inventory of the Subject Group within 2 months of Completion.

The Company and the Vendor have agreed with the Purchaser that subject to Completion they will not engage in the production and distribution of ready mixed concrete, instant mortars, sale of cement and aggregates in Hong Kong (excluding the sale to Hong Kong of marine rocks from Chik Wan Quarry, the operation of which remains with the Group) for a term of ten years following Completion.

The Vendor has procured SOR to subcontract, subject to Completion, the rights for the Guishan Site Formation to a wholly-owned subsidiary of the Purchaser, Allforce Limited, and to allow it to continue to use the equipment currently used for Guishan Site Formation, for a term of 15 years with an option exercisable by Allforce Limited at an exercise price of HK$1 any time after the consideration payable has been paid in full. The consideration payable is HK$15 million, of which HK$7.5 million will be payable by Allforce Limited to SOR on or before 30 June 2005 and the balance on or before 31 December 2006. In addition, the Purchaser shall also pay excavation fees to SOR under the subcontract with reference to the quantity of rocks excavated from time to time, subject to a maximum amount of approximately HK$30 million which represents prepayment of rock resource fee and costs of Guishan Site Formation incurred by SOR. The consideration of HK$15 million and the maximum excavation fee of approximately HK$30 million for Guishan Site Formation were arrived at after arm's length negotiations between the Vendor and the Purchaser.

Consideration

The consideration of HK$95 million receivable for the Sale was arrived at after arm's length negotiations between the Vendor and the Purchaser with reference primarily to the audited net book value of the assets which will remain with the Subject Companies on Completion (amounted to approximately HK$21 million as at 31 March 2004) and the outstanding sale orders on hand. An amount of HK$33 million has been paid to the Vendor on the signing of the Agreement as deposit. The balance of the consideration will be payable in cash upon Completion.

The Company expects that a gain in the amount of approximately HK$33 million (calculated based on the unaudited financial figures of the Company as of 31 October 2004) will accrue as a result of the transactions. Such gain will be recognised in the Group's consolidated accounts for the year ending 31 March 2005. With reference to the audited balance sheet of the Group as at 31 March 2004, upon Completion, non-current assets of the Group would be reduced by HK$70.8 million, representing reduction in property, plant and equipment (HK$56.1 million) and site establishment expenditure (HK$14.7 million), and non-current liabilities of the Group would be reduced by HK$1.4 million representing deferred tax liabilities (HK$0.2 million) and deferred benefit liabilities (HK$1.2 million).

Completion

Completion is scheduled to take place on 1 March 2005. The Subject Companies will cease to be subsidiaries of the Company upon Completion.

IMPACT ON THE GROUP AND REASONS FOR THE TRANSACTION

The Group is engaged in cement operations in Chinese Mainland, investment in property development in Chinese Mainland, investment in venture capital, construction and construction materials in Hong Kong and the Pearl River Delta.

The Group has evolved from a Hong Kong-based company into a Mainland-oriented enterprise. The Group's businesses in the production and distribution of ready mixed concrete and instant mortars in Hong Kong and their supporting operations in the Guangdong province are no longer the core businesses of the Group. The Directors consider it to be in the interest of the Group to focus its resources on its other businesses. The proceeds from this transaction will be used for the development of the Group's cement operations and property development investments in Chinese Mainland.

The Directors consider the terms of the Agreement and the Guishan Site Formation subcontract to be fair and reasonable and that the transaction thereunder is in the interest of the Group and its shareholders as a whole.

IMPLICATIONS OF THE LISTING RULES

The revenue ratio as defined in Rule 14.07 of the Listing Rules and calculated with reference to the consideration of the Agreement and the Guishan Site Formation subcontract is more than 5% but less than 25%. As such, the above transaction therefore constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

ADDITIONAL INFORMATION

Your attention is drawn to the general information set out in the Appendix to this circular.

Yours faithfully,
By Order of the Board
Shui On Construction and Materials Limited
Frankie Wong
Chief Executive Officer

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular with regard to the Company and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts with regard to the Company, the omission of which would make any statement in this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Interests of Directors and chief executive

As at the Latest Practicable Date, the following Directors and chief executive of the Company and their respective associates had the following interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such Directors and chief executive of the Company was taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange:

Interests in the Shares

	Number of ordinary shares in the Company	
Name of Director	**Personal Interests**	**Other Interests**
Lo Hong Sui, Vincent	–	185,183,000
Wong Ying Wai, Wilfred	120,000	–
Choi Yuk Keung, Lawrence	602,000	–
Wong Yuet Leung, Frankie	–	–
Wong Fook Lam, Raymond	–	–
Lowe Hoh Wai Wan, Vivien	–	–
Wong Hak Wood, Louis	228,000	–
Enright, Michael John	–	–
Griffiths, Anthony	–	–
Cheung Kin Tung, Marvin	–	–
Cheng Mo Chi, Moses	–	–

Note: The 185,183,000 shares are held as to 166,148,000 shares and 19,035,000 shares by the ultimate holding company, Shui On Company Limited ("SOCL") and Shui On Finance Company Limited respectively, which is an indirect wholly-owned subsidiary of SOCL. SOCL is owned by the Bosrich Unit Trust. The units of the Bosrich Unit Trust are the property of a discretionary trust of which Mr. Lo Hong Sui, Vincent is a discretionary beneficiary. Accordingly, Mr. Lo Hong Sui, Vincent is deemed to be interested in such shares.

(b) Share Options of the Company

Following the amendments of Chapter 17 of the Listing Rules on 1st September 2001, the employee share option scheme adopted on 20th January 1997 (the "Old Scheme") has been terminated and replaced by a new share option scheme on 27th August 2002 (the "New Scheme"). All options granted previously under the Old Scheme continue to be valid and exercisable.

As at the Latest Practicable Date, the following Directors had interests in right of options granted under the Old Scheme and the New Scheme:

Name of Director	Date of grant	Subscription price per share *HK$*	Period during which options outstanding are exercisable	Number of ordinary shares subject to the options
Wong Ying Wai, Wilfred	27.08.2002	6.00	27.2.2003 to 26.8.2007	80,000
	27.08.2002	6.00	27.8.2005 to 26.8.2010	5,000,000**
Choi Yuk Keung, Lawrence	4.7.2000	9.56	4.1.2001 to 3.7.2005	70,000
	17.7.2001	9.30	17.1.2002 to 16.7.2006	140,000
	27.8.2002	6.00	27.2.2003 to 26.8.2007	168,000
	27.8.2002	6.00	27.8.2005 to 26.8.2010	5,000,000**

Name of Director	Date of grant	Subscription price per share *HK$*	Period during which options outstanding are exercisable	Number of ordinary shares subject to the options
Wong Yuet Leung, Frankie	4.7.2000	9.56	4.1.2001 to 3.7.2005	200,000
	17.7.2001	9.30	17.1.2002 to 16.7.2006	200,000
	27.8.2002	6.00	27.2.2003 to 26.8.2007	160,000
	27.8.2002	6.00	27.8.2005 to 26.8.2010	2,000,000**
Wong Fook Lam, Raymond	4.7.2000	9.56	4.1.2001 to 3.7.2005	160,000
	17.7.2001	9.30	17.1.2002 to 16.7.2006	160,000
	27.8.2002	6.00	27.2.2003 to 26.8.2007	110,000
	27.8.2002	6.00	27.8.2005 to 26.8.2010	2,000,000**
Lowe Hoh Wai Wan, Vivien	4.7.2000	9.56	4.1.2001 to 3.7.2005	160,000
	17.7.2001	9.30	17.1.2002 to 16.7.2006	160,000
	27.8.2002	6.00	27.2.2003 to 26.8.2007	66,000
	27.8.2002	6.00	27.8.2005 to 26.8.2010	2,000,000**

Name of Director	**Date of grant**	**Subscription price per share** *HK$*	**Period during which options outstanding are exercisable**	**Number of ordinary shares subject to the options**
Wong Hak Wood, Louis	4.7.2000	9.56	4.1.2001 to 3.7.2005	280,000
	17.7.2001	9.30	17.1.2002 to 16.7.2006	280,000
	27.8.2002	6.00	27.2.2003 to 26.8.2007	88,000
	27.8.2002	6.00	27.8.2005 to 26.8.2010	2,000,000**

** These options were granted under the mega grant as stipulated in the circular dated 30 July 2002. Certain financial and performance targets must be achieved before the options granted will vest and be exercisable.

As at the Latest Practicable Date, 29,112,000 Shares may be issued upon exercise of all outstanding options granted. This represents approximately 11% of the Shares in issue.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had, or was deemed to have interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules to be notified to the Company and the Stock Exchange.

(c) Interests of shareholders discloseable pursuant to the SFO

Save as disclosed below, the Directors are not aware of any other person (other than a Director or chief executive of the Company or his/her respective associate(s)) who, as at the Latest Practicable Date, had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name	Number of ordinary shares in the Company	Percentage of the issued share capital of the Company
Cheah Cheng Hye	16,094,000	5.99%

Of the 16,094,000 shares, 15,632,000 shares are held by Value Partners Limited which is an associate of Mr. Cheah Cheng Hye.

As at the Latest Practicable date, save as disclosed in this circular, none of the Directors had, or was aware of any person who had interests or short positions in the shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

(d) Substantial shareholding in other members of the Group

Save as disclosed below, the Directors are not aware of any other person (other than a Director or chief executive of the Company or his/her respective associate(s)) who, as at the Latest Practicable Date, was directly or indirectly interested in 10 per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Name of owner of shares or equity interest (as the case may be)	Name of subsidiary	Effective % equity interest held
番禺市廣鋁實業總公司 (Panyu Guang Lu Enterprise Co. Ltd.)	Panyu Dynamic Mark Steel & Aluminium Engineering Co. Ltd.	20%
Eversound Enterprise Ltd.	Panyu Dynamic Mark Steel & Aluminium Engineering Co. Ltd.	16%

Name of owner of shares or equity interest (as the case may be)	Name of subsidiary	Effective % equity interest held
Lung Shing Construction & Materials Company Ltd.	Lamma Concrete Products Ltd.	40%
Lung Shing Construction & Materials Company Ltd.	Guangdong Lamma Concrete Products Limited	40%
番禺市廣鋁實業總公司 (Panyu Guang Lu Enterprise Co. Ltd.)	Panyu Shui Fai Metal Works Engineering Company Limited	22.5%
Hip Kwan Engineering Co. Ltd.	Panyu Shui Fai Metal Works Engineering Company Limited	22.5%
Eversound Enterprise Ltd.	Dynamic Mark Limited	20%
番禺市廣鋁實業總公司 (Panyu Guang Lu Enterprise Co. Ltd.)	Guang Rui Construction Materials (Panyu) Ltd.	25%
Hip Kwan Engineering Co. Ltd.	Shui Fai Metal Works Engineering Co. Ltd.	22.5%
Eversound Enterprise Ltd.	Shui Fai Metal Works Engineering Co. Ltd.	22.5%
Jadson Construction Ltd.	Pacific Extend Ltd.	33%

(e) Independence

As at the Latest Practicable Date, none of the Directors and their respective associates have any interest in a business apart from the Group's business, which competes or is likely to compete, directly or indirectly, with the Group's business and would require disclosure under Rule 8.10 of the Listing Rules.

3. SERVICE CONTRACTS

There is no existing or proposed service contracts between any of the Directors and the Company or any of its subsidiaries, other than contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).

4. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and, so far as the Directors are aware, no litigation or claim of material importance is pending or threatened against the Company or any of its subsidiaries.

5. GENERAL

(a) The Qualified Accountant of the Company is Mr. Raymond F L Wong, FCA, FCPA.

(b) The secretary of the Company is Ms. Janice C W Tam, M.Sc, FCCA, CPA.

(c) The principal share registrar and the transfer office of the Company is the Bank of Bermuda Limited, 6 Front Street, Hamilton HM 11, Bermuda.

(d) The Hong Kong branch share registrar and transfer office is Standard Registrars Limited, 28th Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong

(e) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The head office and principal place of business of the Company is at 34th Floor, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong.

(f) The English text of this circular shall prevail over the Chinese text.